EXAMINATION REPORT

OF

GEOVERA SPECIALTY INSURANCE COMPANY

AS OF

DECEMBER 31, 2018

TRINIDAD NAVARRO
COMMISSIONER

STATE OF DELAWARE
DEPARTMENT OF INSURANCE

I, Trinidad Navarro, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT ON EXAMINATION, made as of December 31, 2018 of

GEOVERA SPECIALTY INSURANCE COMPANY

is a true and correct copy of the document filed with this Department.

Attest By: ______________________

Date: 19 day of March, 2020

In Witness Whereof, I have hereunto set my hand and affixed the official seal of this Department at the City of Dover, this 23 day of March, 2020.

____
Trinidad Navarro
Insurance Commissioner

TRINIDAD NAVARRO
COMMISSIONER

STATE OF DELAWARE
DEPARTMENT OF INSURANCE

REPORT ON EXAMINATION

OF

GEOVERA SPECIALTY INSURANCE COMPANY

AS OF

DECEMBER 31, 2018

The above-captioned report was completed by examiners of the Delaware Department of Insurance.

Consideration has been duly given to the comments, conclusions and recommendations of the examiners regarding the status of the company as reflected in the report.

This report is hereby accepted, adopted and filed as an official record of this Department.

Trinidad Navarro
Insurance Commissioner

Dated this 23 day of March, 2020

♦ INSURANCE.DELAWARE.GOV ♦
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SALUTATION

January23, 2019

Honorable Trinidad Navarro
Commissioner of Insurance
Delaware Department of Insurance
1351 West North Street
Suite 101
Dover, Delaware 19904

Dear Commissioner:

In compliance with instructions and pursuant to statutory provisions contained in Exam Authority No. 19.014, dated May 15, 2019, an examination has been made of the affairs, financial condition and management of

GEOVERA SPECIALTY INSURANCE COMPANY

hereinafter referred to as the Company or GVSIC and incorporated under the laws of the State of Delaware as a stock company with its registered office located at 251 Little Falls Drive, Wilmington, Delaware 19808. The examination was conducted at the administrative office of the Company located at 1455 Oliver Road, Fairfield, California 94534. The report of examination thereon is respectfully submitted.

SCOPE OF EXAMINATION

We performed a financial examination of the Company as part of the multi-state coordinated examination of the GeoVera Insurance Group wherein California is the lead state. The previous regulatory examination was conducted as of December 31, 2014 by the Delaware Department of Insurance (Department). This examination covered the period of January 1, 2015 through December 31, 2018. The examination was conducted concurrently with that of the

Company's California domiciled affiliates, Coastal Select Insurance Company (CSIC) and GeoVera Insurance Company (GVIC). To the fullest extent, the efforts, resources, project material, and findings were coordinated and made available to all examination participants.

We conducted our examination in accordance with the *National Association of Insurance Commissioners* (NAIC) *Financial Condition Examiners Handbook* (Handbook) and generally accepted statutory insurance examination standards consistent with the Insurance Code and Regulations of the State of Delaware. The NAIC Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the company, and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes significant findings of fact, pursuant to the General Corporation Law of the State of Delaware as required by 18 *Del. C.* § 321, along with general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature, are not included within the examination report but separately communicated to other regulators and/or the Company.

During the course of this examination, consideration was given to work performed by the Company's external accounting firm, Ernst and Young, LLP. Certain auditor work papers of the December 31, 2018, audit of the Company have been incorporated into the work papers of the examiners and have been utilized in determining the scope, areas of emphasis in conducting the examination, and in the area of risk mitigation and substantive testing.

SUMMARY OF SIGNIFICANT FINDINGS

There were no significant findings or material changes in financial statements as a result of this examination.

COMPANY HISTORY

The company was incorporated in Maryland on November 28, 1994, as USF&G Specialty Insurance Company and commenced business on November 30, 1994. The company changed its name to GVSIC and re-domesticated to California on January 1, 2007, and re-domesticated to Delaware on May 20, 2013.

GVSIC, CSIC, and GVIC, collectively referred to as the "GeoVera Pool" are members of a holding company, GeoVera Holdings, Inc. (GVH). GVH is wholly-owned by the ultimate parent, GeoVera Investment Group, Ltd. (GVIG) that is majority owned by private equity investor, affiliates of Flexpoint Fund II (Flexpoint).

Capitalization

The Company's Certificate of Incorporation authorizes the issue of 100,000 shares of common stock with a $100 par value. As of December 31, 2018, the Company had 50,000 common shares issued and outstanding totaling $5,000,000. All outstanding common shares of the Company are owned by GVH. As of December 31, 2018, the Company reported gross paid in and contributed surplus of $13,013,114.

Dividends

The Company's current Board of Directors (Board) approved and authorized cash dividends during the exam period as follows:

Year	Ordinary	Extraordinary	Date Paid
2015	$ 3,079,199	$	3/23/2015
2015	1,189,694		12/18/2015
2016	2,180,267		3/23/2016
2016		618,055	9/16/2016
2016	571,639	618,055	12/19/2016
2017	378,432	618,055	3/24/2017
2018	1,143,663		12/28/2018
Total	$ 8,542,894	$1,854,165	

Dividend payments for all years noted above are in compliance with 18 *Del. C.* §5005 (e).

MANAGEMENT AND CONTROL

Directors

Pursuant to the general Corporation Laws of the State of Delaware, as implemented by the Company's Certificate of Incorporation and bylaws, the property and affairs of the Company must be managed by or under the direction of its Board. The Board shall not have less than one member and not more than 13 and the total number of directors shall be determined by the Shareholder(s).

Each Director is elected annually by the stockholder and holds office until the next annual election and until their successors are elected and qualified except as removed for cause and the successor elected by a special meeting of the stockholder. Directors duly elected and serving as of December 31, 2018, are as follows:

Name	Title
Nesrin Isil Basoz	SVP, Chief Underwriting Officer
Thomas Edward Hanzel*	Chief Administrative Officer, Treasurer
Robert Byrd Hagedorn	General Counsel
Vida DeGusman Loya	Accounting Director

*Thomas Edward Hanzel resigned

Officers

Officers were elected in accordance with the bylaws during the period under examination. The bylaws require election of a President, Secretary and Treasurer. Any number of offices may be held by the same person. The primary officers serving as of December 31, 2018, were as follows:

Name	Title
Kevin Malcolm Nish	President and Chief Executive Officer
Brian Thomas Sheekey	SVP and Chief Financial Officer
Karen Marie Padovese	SVP; Chief Operating Officer and Secretary
Nesrin Isil Basoz	SVP; Chief Underwriting Officer and Chief Risk Management Officer
Thomas Edward Hanzel	Chief Administrative Officer and Treasurer*
Robert Byrd Hagedorn	VP and General Counsel

*Thomas Hanzel resigned; replaced by Brian Conner on October 21, 2019, as Treasurer

Corporate Records

The recorded minutes of the shareholder and Board were reviewed for the period under examination. The recorded minutes of the Board adequately documented its meetings and approval of Company transactions and events including approval of investment transactions in accordance with 18 *Del. C.* § 1304. In addition, review of Company files indicated that written correspondence was submitted to the Department with regards to the changes in officers and directors during the period under examination in compliance with 18 *Del. C.* § 4919.

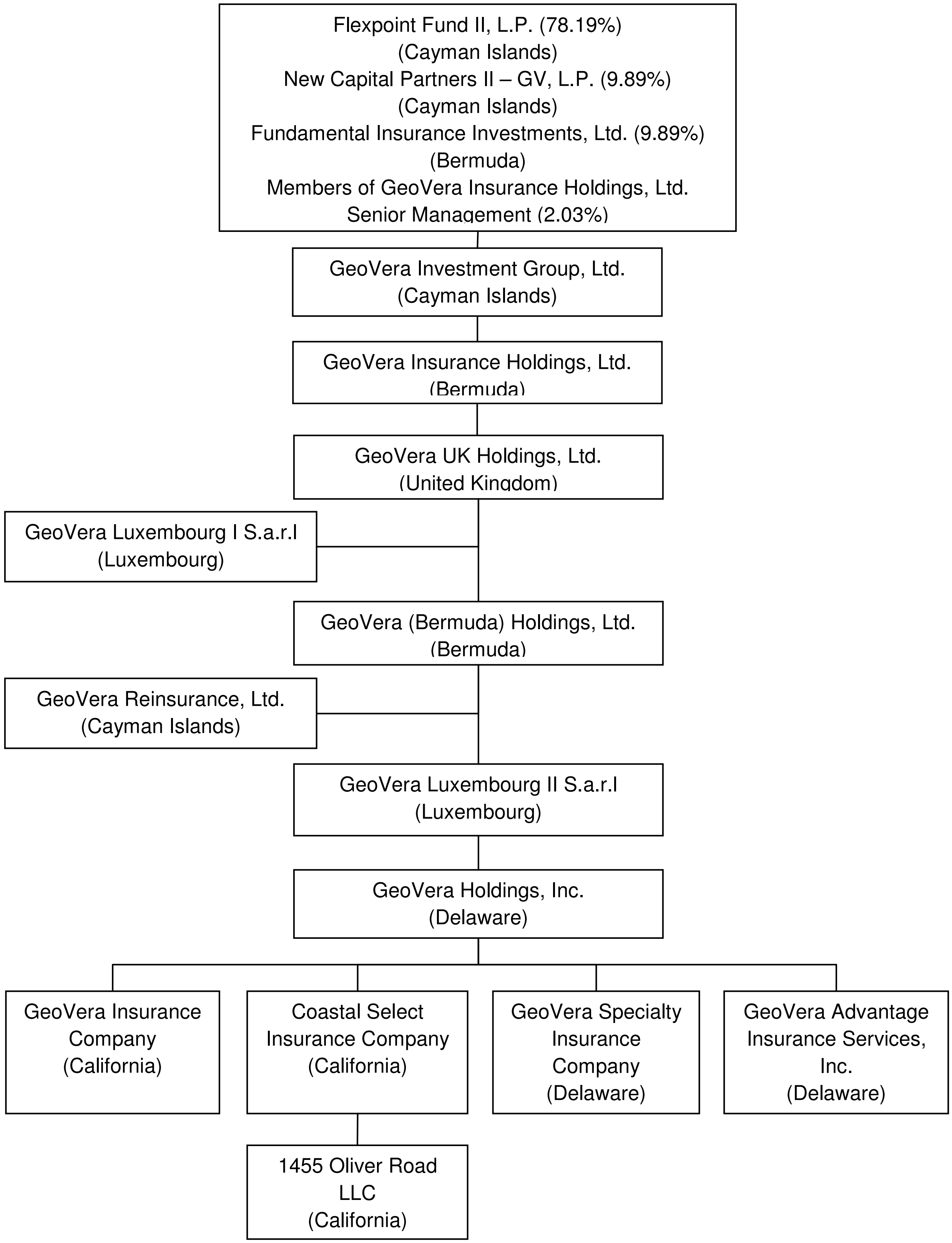
Insurance Holding Company System

The Company is a member of an insurance holding company system known as GVH as defined under 18 *Del. C.* § 5001 of the Delaware Insurance Code.

GVH is ultimately owned by GVIG, which is owned by private equity investors, affiliates of Flexpoint. GVH and its subsidiaries were acquired from St. Paul Travelers by Friedman Fleischer & Lowe, LLC, (FFL) and Hellman & Friedman, LLC, (H&F) on November 1, 2005.

Effective August 8, 2012, GVH and its subsidiaries were acquired by GVIG, which was organized in 2012 by affiliates of Flexpoint for purposes of acquiring GVH and its subsidiaries from H&F and FFL.

An abbreviated organizational chart of the Flexpoint holding company system as of December 31, 2018, is as follows (ownership of subsidiaries is 100% unless otherwise noted):


Flexpoint Fund II, L.P. (78.19%)
(Cayman Islands)
New Capital Partners II – GV, L.P. (9.89%)
(Cayman Islands)
Fundamental Insurance Investments, Ltd. (9.89%)
(Bermuda)
Members of GeoVera Insurance Holdings, Ltd.
Senior Management (2.03%)
GeoVera Investment Group, Ltd.
(Cayman Islands)
GeoVera Insurance Holdings, Ltd.
(Bermuda)
GeoVera UK Holdings, Ltd.
(United Kingdom)
GeoVera Luxembourg I S.a.r.l
(Luxembourg)
GeoVera (Bermuda) Holdings, Ltd.
(Bermuda)
GeoVera Reinsurance, Ltd.
(Cayman Islands)
GeoVera Luxembourg II S.a.r.l
(Luxembourg)
GeoVera Holdings, Inc.
(Delaware)
GeoVera Insurance Company
(California)
Coastal Select Insurance Company
(California)
GeoVera Specialty Insurance Company
(Delaware)
GeoVera Advantage Insurance Services, Inc.
(Delaware)
1455 Oliver Road LLC
(California)

<u>Agreements with Affiliates</u>

The Company was a party to numerous inter-company agreements after its acquisition and was disclosed by the Company in its initial Form B Registration Statement filing with the Department. The agreements of significance are summarized as follows:

Agreement for Management Services

Effective November 1, 2005, CSIC, GVIC, and GVSIC entered into a Service Agreement with its direct parent, GVH. Under the terms of this agreement, GVH provides accounting, administrative, data processing, underwriting, and premium collection services to the companies. As compensation for these services, the Companies reimburse GVH for all direct and allocable expenses and overhead paid by GVH on behalf of the companies. The agreements were approved by California Department of Insurance (CDI) prior to re-domestication to Delaware.

Tax Allocation Agreement

Effective November 1, 2005, the Company entered into a Tax Sharing agreement with its ultimate parent, GVH that included GVIC, CSIC and GeoVera Specialty Insurance Services, Inc. (GVI). On June 24, 2008, and January 1, 2013, the agreement was amended to include affiliates, GeoVera Security Insurance Company (GSIC) and GeoVera Advantage Insurance Services, Inc. (GVA) respectively. The agreement and addendums were approved by CDI prior to its re-domestication to Delaware. On May 21, 2013, and July 2, 2014, respectively, both GSIC and GVI were dissolved and were no longer part of the tax sharing agreement.

Brokerage Service Agreement

Effective August 15, 2017, GVSIC (after re-domestication) entered into an agreement with GVA to serve as General Agent and to solicit, produce, underwrite, administer, service and manage insurance policies and claims handling, that are produced by GVA, and GVA's surplus lines brokers and producers. This agreement was approved by the Department on September 12, 2017.

Operating Agreement

Effective February 28, 2014, an Operating Agreement of 1455 Oliver Road LLC was entered into by and between CSIC, GVIC and GVSIC. In this Agreement, the companies became members with CSIC as the manager of 1455 Oliver Road LLC, a California limited liability non-insurance company. The companies undertook these investments in the LLC for the primary purpose of purchasing an office building located at 1455 Oliver Road, Fairfield, California with the intention to remodel and utilize the building as its corporate headquarters.

Effective March 21, 2014, the parties entered into the Second Amended Operating Agreement to reflect a revision to the ultimate purchase price of $7,200,000. This amended agreement was approved by CDI on May 6, 2015.

Effective August 5, 2015, the parties entered into Addendum No. 1 to the Second Amended Operating Agreement to reflect the changes of the office location address and contribution basis to the pooling agreement percentages. The Department approved this Addendum along with the previously mentioned agreements (unfiled with the Department) on May 13, 2016-*.

Effective July 1, 2016, the Company and its affiliates, CSIC and GVIC entered into Addendum No. 2 to the Second Amended Operating Agreement of 1455 Oliver Road LLC. CSIC purchased the membership interests of the Company and GVIC at statutory carrying value. The purchase was approved by Department on October 18, 2016.

TERRITORY AND PLAN OF OPERATION

Territory

As of December 31, 2018, the Company is currently authorized to write specialty homeowners and residential earthquake insurance products on a non-admitted basis in 42 states, the US Virgin Islands and the District of Columbia. GVSIC is licensed to write multiple lines of business on an admitted basis in four states, California, Delaware, Maryland and South Dakota. The Company distributes products through independent agents and surplus lines brokers.

Plan of Operation

The Company is the surplus lines writer within the GeoVera Pool. GVSIC primarily writes residential homeowners coverage on a non-admitted basis in the states of: Alabama, Florida, Louisiana, South Carolina and Texas. The Company writes multi-peril homeowners policies covering property and liability losses for residential property including: homeowners, renters, and condominium owners.

The Company had directly written the most premiums of the three United States affiliates of GVH as of the examination date. On a net basis, the Company retains the least amount of net written premiums due to the intercompany pooling agreement whereby GVSIC cedes 100 percent of its net retained liabilities to GVIC. GVIC in turn retrocedes 17% of the pooled premiums to GVSIC.

REINSURANCE

As of December 31, 2018, the Company and two (2) affiliates participate in an Intercompany Pooling Agreement (Pooling Agreement). The Pooling Agreement covers substantially all catastrophic business written. GVIC is the lead company in the pool with 36.5% participation and CSIC with 46.5% participation and the remainder 17% to GVSIC.

Reinsurance Assumed – Affiliated: Intercompany Pooling Agreement

The Company entered into the Pooling Agreement with its affiliates GVIC and CSIC by Addendum, effective January 1, 2017. Under the Pooling Agreement, GVSIC cedes 100% of its net retained liabilities to GVIC after giving effect to external reinsurance agreements and quota share with GeoVera Reinsurance, Ltd. (GVR), an affiliated insurer.

The impact of reinsurance on the premiums of the Company based on the pool in 2018 is shown below:

	GVSIC
Direct Written Premiums	$233,997,506
Assumed (other than intercompany)	2,725
Gross Written Premiums	$234,000,231
Ceded:	
Property and casualty	
Geo Vera RE – affiliate	$ 98,529,470
Third Party none-affiliated	69,781,583
Cede to Pool	65,689,178
Total Ceded	$234,000,231
Assumed from (ceded to) pool	17,383,217
Total Pool	$ 17,383,217
Pooling Percentage	17%
Net Pool per Annual Statement	$ 17,383,217

Ceded Reinsurance – Affiliates

The Company ceded business to GVIC per the Pooling Agreement as discussed above. Also, GVSIC cedes business to its Bermuda affiliate, GVR on a 60 percent quota share basis.

Ceded Reinsurance – Non-Affiliates

The Company ceded reinsurance to external reinsurers is as follows:

Type of Contract	Line(s) of Business	Reinsurer(s) and Participation	Company's Retention	Reinsurer's Limits
Catastrophe Excess of Loss Underlying 1 Layer	Personal Lines (including risks modeled as residential property), and Monoline Residential Earthquake coverage	Certified: Lloyd's of London – Various (35%) Unauthorized: Aeolus Re Ltd. (25%)	$15 million each loss occurrence	$10 million excess of $15 million each loss occurrence $10 million in aggregate
Catastrophe Excess of Loss Underlying 2 Layer - First Event	Personal Lines (including risks modeled as residential property), and Monoline Residential Earthquake coverage	Unauthorized: Aeolus Re Ltd. (100%)	$25 million each loss occurrence	$25 million excess of $25 million each loss occurrence $25 million in aggregate
Catastrophe Excess of Loss Underlying 2 Layer - Second Event	Personal Lines (including risks modeled as residential property), and Monoline Residential Earthquake coverage	Unauthorized: Aeolus Re Ltd. (100%)	$25 million each loss occurrence	$25 million excess of $25 million each loss occurrence $25 million in aggregate
Catastrophe Excess of Loss First Layer	Personal Lines (including risks modeled as residential property), and Monoline Residential Earthquake coverage	Certified: Lloyds of London - Various (19.75%) Other reinsurers (38.15%) Authorized: Various reinsurers (10%) Unauthorized: Various reinsurers (32.1%)	$50 million each loss occurrence	$25 million excess of $50 million each loss occurrence $25 million in aggregate
Catastrophe Excess of Loss	Personal Lines (including risks	Certified: Lloyd's of London – Various	$75 million each loss	$175 million excess of

Type of Contract	Line(s) of Business	Reinsurer(s) and Participation	Company's Retention	Reinsurer's Limits
Second Layer	modeled as residential property), and Monoline Residential Earthquake coverage	(25.25%) Other reinsurers (28%) <u>Authorized:</u> Various reinsurers (34.25%) <u>Unauthorized:</u> Various reinsurers (12.5%)	occurrence	$75 million each loss occurrence $175 million in aggregate
Catastrophe Excess of Loss Third Layer	Personal Lines (including risks modeled as residential property), and Monoline Residential Earthquake coverage	<u>Certified:</u> Lloyd's of London – Various (25%) Other reinsurers (33.35%) <u>Authorized:</u> Various reinsurers (26.55%) <u>Unauthorized:</u> Various reinsurers (15.1%)	$250 million each loss occurrence	$250 million excess of $250 million each occurrence $250 million in aggregate
Catastrophe Excess of Loss Fourth Layer	Personal Lines (including risks modeled as residential property), and Monoline Residential Earthquake coverage	<u>Certified:</u> Lloyd's of London – Various (18.5%) Other reinsurers (48%) <u>Authorized:</u> Various reinsurers (15%) <u>Unauthorized:</u> Various reinsurers (18.5%)	$500 million each loss occurrence	$250 million excess of $500 million each loss occurrence $250 million in aggregate
Catastrophe Excess of Loss Fifth Layer	Personal Lines (including risks modeled as residential property), and Monoline Residential Earthquake coverage	<u>Certified:</u> Lloyd's of London – Various (12.15%) Other reinsurers (18%) <u>Authorized:</u> Various reinsurers (10.8%) <u>Unauthorized:</u> Various reinsurers (59.05%)	$750 million each loss occurrence	$300 million excess of $750 million each loss occurrence $300 million in aggregate
Catastrophe Excess of Loss Sixth Layer	Personal Lines (including risks modeled as residential property), and Monoline Residential Earthquake coverage	<u>Certified:</u> Renaissance Reinsurance Ltd. (37.5%) DaVinci Reinsurance Ltd. (12.5%) <u>Authorized:</u> Lancashire Insurance Company Limited (50%)	$1,050 million each loss occurrence	$75 million excess of $1,050 million each loss occurrence $75 million in aggregate

Type of Contract	**Line(s) of Business**	**Reinsurer(s) and Participation**	**Company's Retention**	**Reinsurer's Limits**
Catastrophe Excess of Loss Seventh Layer	Personal Lines (including risks modeled as residential property), and Monoline Residential Earthquake coverage	Unauthorized: Aeolus Re Ltd. (100%)	$1,125 million each loss occurrence	$75 million excess of $1,125 million each loss occurrence $75 million in aggregate

FINANCIAL STATEMENTS

The following financial statements, as reported and filed by the Company with the Department, are reflected in the following:

- Statement of Assets and Liabilities as of December 31, 2018
- Statement of Income for the year ended December 31, 2018
- Reconciliation of Capital and Surplus for the Period from the Prior Examination as of December 31, 2014 to December 31, 2018

Statement of Assets
As of December 31, 2018

	Assets	Non admitted Assets	Net Admitted Assets	Notes
Bonds	$ 22,026,161		$ 22,026,161	
Cash	15,037,408		15,037,408	
Short-term Investments	0		0	
Other invested assets				
Receivables for securities	93		93	
Subtotals, cash and invested assets	$ 37,063,662	$ -	$ 37,063,662	
Investment income due and accrued	126,381		126,381	
Uncollected premiums and agents' balances in the course of collection	5,715,356	7,353	5,708,003	
Deferred Premiums, Agents' Balance booked but not due	11,573,712		11,573,712	
Accrued retrospective premiums				
Amounts recoverable from reinsurers	34,152,632		34,152,632	
Funds held by or deposited with reinsured companies				
Other amounts receivable under reinsurance companies	4,644,351		4,644,351	
Current federal and foreign income tax recoverable and interest thereon	488,261		488,261	
Net deferred tax asset	1,642,253	31,131	1,611,122	
Furniture and equipment	303,405		303,405	
Receivable from parent, subsidiaries and affiliates	2,791,753		2,791,753	
Aggregate write-ins for other than invested assets:	106,356	55,703	50,653	
Totals	$ 98,608,122	$ 94,187	$ 98,513,935	

Statement of Liabilities, Capital and Surplus
As of December 31, 2018

			Notes
Losses	$	2,831,221	1
Reinsurance payable on paid losses and LAE		756,911	
Loss adjustment expenses		2,049,751	1
Commissions payable, contingent commissions		848,725	
Other expenses		56,440	
Taxes, licenses and fees		63,454	
Current federal and foreign income taxes			
Unearned premiums		12,770,224	
Advanced premiums		4,696,201	
Ceded reinsurance premiums payable		48,460,775	
Funds held by company under reinsurance treaties			
Amounts withheld or retained by company for account of others			
Remittances and items not allocated		10,174	
Provisions for reinsurance			
Payable to parent, subsidiaries, and affiliates			
Aggregative write-ins:			
Deferred reinsurance commission		3,162,916	
Other liabilities		2,598,232	
Total liabilities	$	78,305,024	
Common capital stock		5,000,000	
Gross paid in and contributed surplus		13,013,114	
Unassigned funds (surplus)		2,195,797	
Surplus as regards policyholders	$	20,208,911	
Totals	$	98,513,935	

Statement of Income
For the Year Ended December 31, 2018

		Notes
Premiums earned	$ 17,284,567	
Losses incurred	$ 6,777,645	
Loss adjustment expenses incurred	2,603,064	
Other underwriting expenses incurred	5,658,786	
Total underwriting deductions	$ 15,039,495	
Net underwriting gain (loss)	$ 2,245,072	
Net investment income earned	492,999	
Net realized capital gains or (losses)	7,160	
Net investment gain (loss)	$ 500,159	
Net gain (loss) from agents' or premiums balances charged off	$ (29,236)	
Finance and service charges not included in premiums	92,652	
Aggregate write-ins for miscellaneous income	(2,565)	
Total other income	$ 60,851	
Net income after dividends to policyholders	$ 2,806,082	
Dividends to policyholders	-	
Net income, after dividends to policyholders	$ 2,806,082	
Federal and foreign income taxes incurred	624,835	
Net income	$ 2,181,247	
Surplus as regards policyholders, December 31, 2017	$ 19,156,777	
Net income (losses)	$ 2,181,247	
Change in net unrealized capital gains (losses)	(2,189)	
Change in net unrealized foreign exchange gains (losses)		
Change in net deferred income tax	41,295	
Change in non-admitted assets	(24,556)	
Dividends to stockholders	(1,143,663)	
Net change in capital and surplus for the year	$ 1,052,134	
Surplus as regards policyholders, December 31, 2018	$ 20,208,911	

Reconciliation of Capital and Surplus

For the Period from the Prior Examination
As of December 31, 2014 to December 31, 2018

	Retroactive Reinsurance Gain	Common Capital Stock	Gross Paid-in and Contributed Surplus	Unassigned Surplus	Total
12/31/14	$ -	$ 5,000,000	$ 13,013,114	$ 4,345,609	$ 22,358,723
12/31/15 1				3,359,047	3,359,047
12/31/15 2				(4,268,893)	(4,268,893)
12/31/16 1				3,161,719	3,161,719
12/31/16 2				(3,988,016)	(3,988,016)
12/31/17 1				(469,316)	(469,316)
12/31/17 2				(996,487)	(996,487)
12/31/18 1				2,195,797	2,195,797
12/31/18 2				(1,143,663)	(1,143,663)
Rounding					-
	$ -	$ 5,000,000	$ 13,013,114	$ 2,195,797	$ 20,208,911

(1) Represents net income, change in unrealized capital gains(losses), change in unrealized foreign exchange gain(losses), change in net deferred income tax, change in non- admitted assets, change in provisions for reinsurance.
(2) Dividends to stockholder – this amount represents an ordinary and extra-ordinary dividend paid to parent, GVH

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS RESULTING FROM THE EXAMINATION

There were no changes made to the Financial Statements as a result of this Examination.

COMMENTS ON FINANCIAL STATEMENT ITEMS

Note 1:

Losses	$ 2,831,221
Loss Adjustment Expenses	$ 2,049,751

The examination liability for the aforementioned captioned items of $2,831,221 and $2,049,751 are the same as reported by the Company as of December 31, 2018. The examination analysis of Loss and Loss Adjustment Expense reserves was conducted in accordance with Generally Accepted Actuarial Principles and Statutory Accounting Principles, including NAIC *Accounting Practices and Procedures Manual*, Statement of Statutory Accounting Principle No. 55 (SSAP No. 55).

SUBSEQUENT EVENTS

The Company is party to a quota share arrangement with GVR. The affiliated quota share cession, net of external quota share and catastrophic coverage, is 60 percent and 50 percent for the periods March 1, 2007 to February 28, 2019 and November 1, 2005 to February 28, 2007, respectively. The affiliated quota share arrangement includes a ceding commission that is renegotiated periodically. On May 24, 2019, the Department approved an amendment to the quota share arrangement, retroactive to March 1, 2019, in which the ceding commission was increased from 32.75 percent to 34.0 percent of certain premium.

SUMMARY OF RECOMMENDATIONS

There were no recommendations as a result of this examination.

CONCLUSION

The assistance and cooperation of examiners representing the states on the coordinated examination is acknowledged. In addition, the assistance of the consulting actuarial firm, INS Consultants, Inc., the Company's outside audit firm, EY, and the Company's management and staff was appreciated and is acknowledged.

Respectfully submitted,

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Darryl Reese, CFE
Examiner In-Charge
State of Delaware

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Anthony Cardone, CFE
Supervising Examiner
State of Delaware